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- ✧ February 6 – FIAR Subcommittee Meets
- ✧ February 7 – FIAR ODO Committee Meets
- ✧ February 20 – FIAR Committee Meets

Connect

- ✧ Join the FIAR Group on milBook at the CAC-enabled site <https://www.milSuite.mil/book/groups/fiar>
- ✧ Visit the FIAR Directorate's website for links to FIAR Guidance and other tools, including past issues of Defense Audit Readiness News
- ✧ Become a FIAR Planning Tool

With so much budget uncertainty, the need for and importance of our audit readiness efforts has become even clearer. Knowing the true cost of your program and having confidence in the accuracy of your budget needs is more critical than ever. No one should doubt the Department's need for improved financial information or not see how audit readiness links to decision-making.

The Department's FIAR Plan is sound. We know what needs to be done, and we have a solid strategy for getting there. Our job continues to be to execute that plan—to stay focused on our goals, share best practices and lessons learned, find efficiencies in our own work, and support our men and women in uniform by giving them the tools and information they need to be successful. Thank you all for your hard work and continued commitment.

Mark Easton, Deputy Chief Financial Officer

✧ **DLA Director Highlights Audit Readiness in New Video, Emphasizes Stewardship**

Amanda Neumann, DLA Public Affairs. Reprinted with permission.

A new video featuring Defense Logistics Agency Director Navy Vice Adm. Mark Harnitchek highlights the agency's audit readiness goals and emphasizes the need for employees to get involved in the effort.

Although Secretary of Defense Leon Panetta set a fiscal 2017 deadline for the Defense Department to be fully audit ready, DLA's goal is to be audit ready by fiscal 2015. In the two-minute video, available on the agency's audit readiness website, Harnitchek touches upon the importance of audit readiness and how the agency plans to achieve it.

"The fact is, [the Defense Department] has long faced a challenge of being fully audit ready," he says in the video. "How do we do that? We do that by understanding our processes, the internal controls within them, and making sure that the resulting data is accurate and in compliance with the rules. It will increase the public's confidence in our financial status (*Continued on Page 2.*)

and enhance their trust that we have good controls to mitigate risk and keep our data safe.”

Harnitchek notes that it’s up to DLA employees to help with the agency’s upcoming efforts, emphasizing that audit readiness efforts involve more than just finances.

“It’s anything involving procedures, from keeping timecards to tracking inventory,” he said. “If you’re not already doing it, it’s important to document your operating procedures. Paperwork should be clearly filled out and signed by the appropriate approving officials. Know where those documents are so you can easily retrieve them. And be available to assist your local audit readiness team members, answer their questions, or work with them to fix something that won’t pass audit standards.”

DLA employees’ impact on audit readiness is the main focus of the latest outreach efforts, Simone Reba, deputy director of DLA Finance, wrote in a blog post Jan. 30. She wrote that it’s the small mistakes that can really add up.

“If you’ve ever owned a house and had a leaky pipe, you know what I’m talking about,” she wrote. “Ignoring a leaky pipe by relying on a bucket to catch the drips can easily serve as a ‘quick fix’ but can eventually lead to serious problems. Is it one drop of water that causes the problem? No. It’s the cumulative effect of multiple drops over time that causes your ceiling to cave in, just like in our situation with financial reports. It’s not one missing receiving report that could potentially cause us to fail an audit; it’s the accumulation of multiple missing receiving reports and multiple financial reports with errors that will cause us to fail. Everyone at DLA – whether they realize it or not – has an effect on our financial statements.”

Reba compared DLA and the federal government’s laws and rules to ingredients in a recipe.

“Every ingredient in a recipe is included for a reason, just like every law, regulation, [standard operating procedure], and policy is in place for a reason: to help guard against small mistakes snowballing into avalanches,” she wrote. “Skipping over or ignoring a law, regulation, SOP, or policy could have a dramatic effect downstream on the overall financial health of DLA. Even if the overlooked policy isn’t a financial policy, it can have a monumental effect on financial statements in the end.”

And there is no better time than now, Reba emphasized, to fix the little things to ensure DLA is audit ready in fiscal 2015.

“Now is the time to ask these questions, not 2015,” she wrote. “When we have auditors in-house they will visit the Field Command locations and ask employees specific questions about policies related to their work. Now is the time to make sure we know the answers to these questions ... not 2015.”

Click here to view the video in its entirety, go to http://dlavideoprograms.hq.dla.mil/videos/DirectorsAuditReadinessMessageRT_2_12.wmv

✧ Defense Audit Advisory Committee Meets

The three members of the Defense Audit Advisory Committee were sworn in for a new term at the January 29 meeting. Members were briefed on the November FIAR Plan Status Report, and Ann-Cecile McDermott, Assistant Deputy Commandant for Programs and Resources and Fiscal Director of the Marine Corps, presented lessons learned from the Marine Corps audit.

The Committee provides independent advice and recommendations on DoD financial management to the Secretary of Defense through the USD(C)/CFO. Areas of focus include processes related to financial reporting, internal controls, audit, and compliance with relevant laws and regulations. To ensure independence and bar any conflicts of interest, Committee members must be eminent authorities in the fields of financial management and audit.

✧ Snapshot

Each Military Department has committed to interim milestones for achieving audit readiness for each major element or business process for the statement of budgetary resources, such as civilian pay or contracts, and for addressing the existence and completeness of each major category of assets, such as military equipment or real property. The chart below gives a snapshot of the interim milestones on which the Services have successfully asserted audit readiness and how many remain.

Military Department	Completed As Of 1/31/2012	Completed As Of 12/31/2012	Completed As Of 1/31/2013	Future	Total
Statement of Budgetary Resources					
Army	2	3	3	1	4
Navy	2	4	4	8	12
Air Force	4	6	6	9	15
Mission Critical Asset Existence and Completeness					
Army	0	1	1	8	9
Navy	1	4	4	11	15
Air Force	3	5	5	8	13

Completed: milestones completed and approved by OUSD(C) (i.e., not returned for additional work).

Future: milestones to be completed in the future.

Total: total milestones to achieve auditability.

❖ A Lesson Learned: Pay Documentation

Documentation that supports payments to personnel must be maintained and readily available.

In Other Words: Military personnel receive a variety of special pays and entitlements depending on their circumstances. Similarly, civilian personnel get step increases, bonuses, awards, and other payments. Entitlements and personnel actions must be accounted for in a timely manner and proper supporting documentation must be maintained.

The Problem Is: Personnel (and the documentation for personnel actions) are located in thousands of locations around the world and various systems of record. Even so, auditors must still be able to review the documentation and determine whether the payroll expenditures were valid.

What That Means in An Audit: Payroll expenditures represent a significant expense for most Components. With such a large universe of transactions to sample, auditors may need to perform additional procedures and test many more transactions to have reasonable assurance the recorded payroll expenditures are accurate.

What That Means to Your Mission or Program: If we cannot find documentation supporting personnel actions and entitlements, we cannot know the cost of personnel—and the true cost of your program.

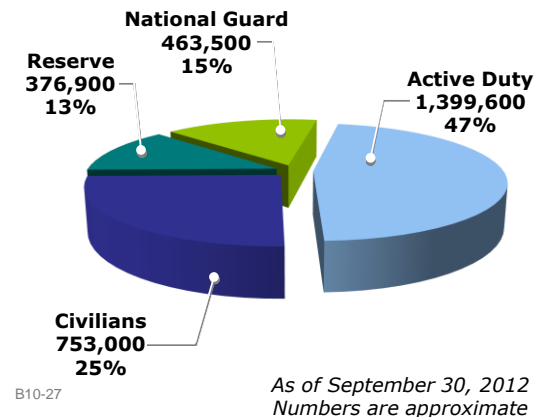
Bottom Line: With nearly 3 million employees, properly recording payments to personnel is critical.

❖ Simply Put

Here's a common financial management term put in words everyone can understand:

Reconciliation: Identifying, researching, and resolving differences between two sets of data.

❖ Department of Defense Staffing



✧ **DFAS Asserts on Two Major Processes**

The Service Providers play a pivotal role in the Department's overall audit readiness effort. In 2012, DFAS achieved a qualified opinion on the controls over its enterprise-wide civilian pay processes, and recently, DFAS successfully asserted on military pay and on centralized disbursing processes. "Because the Service Providers touch every other DoD Component, they are essential to DoD audit readiness overall," said Alaleh Jenkins, assistant director of the FIAR Directorate. "When DFAS makes progress, it impacts everyone in a positive way."

As part of its overall effort, the DFAS quarterly newsletter "Customer Focus" devoted an entire issue to audit readiness. A message from Principal Deputy Director Audrey Davis introduced the special edition. To read the edition and learn more about DFAS' audit readiness effort, go to <http://go.usa.gov/gnuH>.

✧ **Have an Idea for the Newsletter?**

We welcome submissions, suggestions, and articles for reprint. Please keep in mind:

- Articles average 500 words.
- Fast Facts, Events, and Photos are also accepted.
- Submissions are due the 20th of each month for the following month's edition.
- Articles may be edited and returned to you for final review.
- Submissions and suggestions should be emailed to AuditReadiness@osd.mil.

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